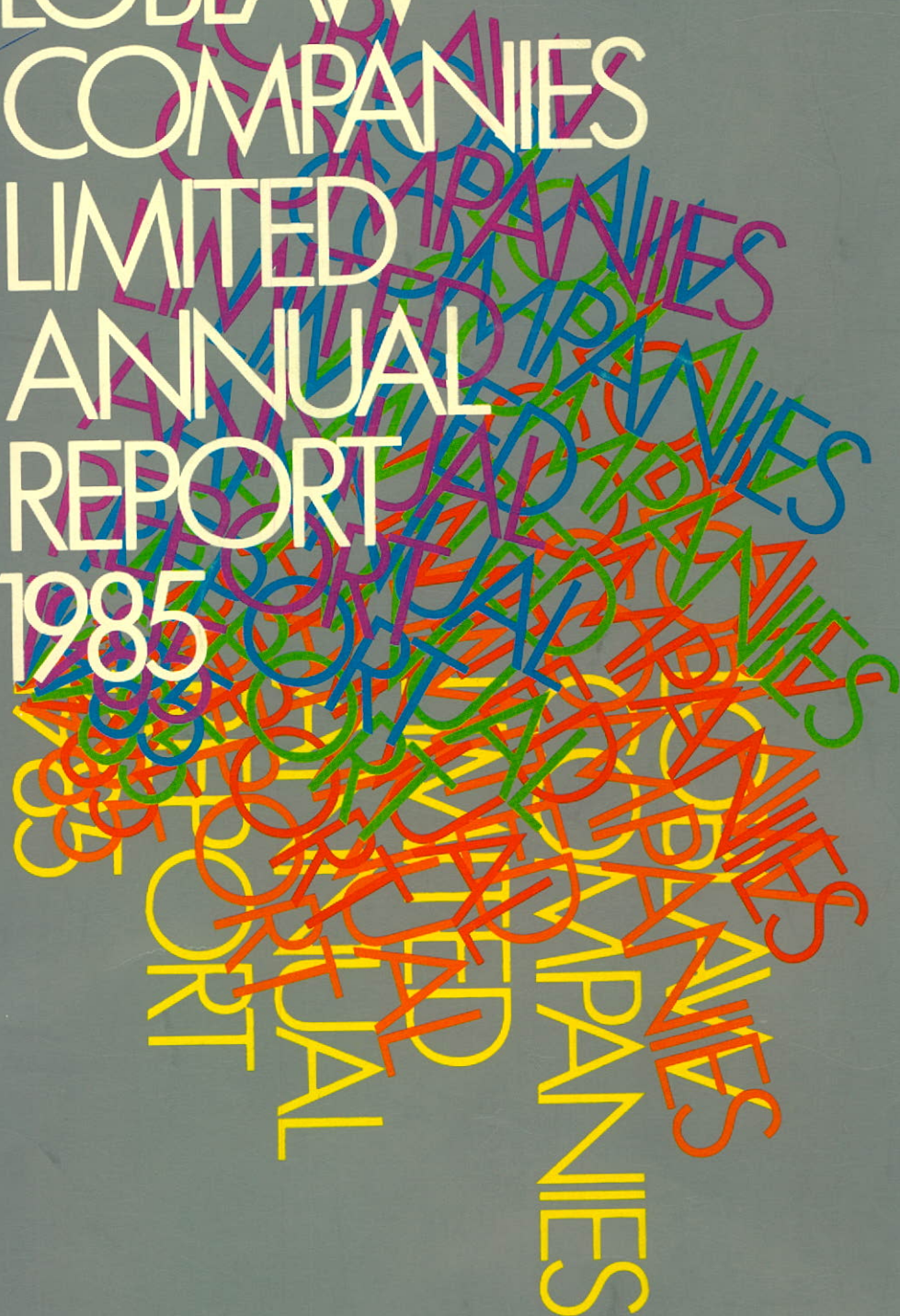


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LIMITED
ANNUAL
REPORT
1985



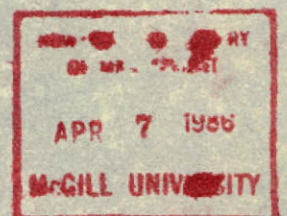
CONTENTS

Corporate Philosophy and Objectives	2
Financial Highlights	3
Chairman's Report to Shareholders	4
President's Report	6
Eastern Canadian Operations	12
Western Canadian Operations	14
United States Operations	16
Retail and Wholesale Operations	18
Nine Year Analysis by Operating Region	19
Nine Year Analysis of Quarterly Earnings per Share	19
Nine Year Summary	20
Nine Year Graphical Analysis	22
Responsibility for Financial Reporting	25
Auditors' Report	25
Financial Statements	26
Consolidated Statements of Earnings and Retained Earnings	26
Consolidated Balance Sheet	27
Consolidated Statement of Changes in Financial Position	28
Notes to Consolidated Financial Statements	29
Corporate Structure, Directors and Senior Management	36

REPORT THEME

The cover of this year's Annual Report is intended to symbolize the blending of the component parts of Loblaw Companies Limited. As the spectrum blends into a single colour so do the parts of Loblaw Companies now blend into a single, powerful, growing business.

One of the most important links in providing this cohesion is the Company's buying organization. From product development to sourcing to everyday buying, it is an integral part of all that we do as merchants. This year's Annual Report recognizes the buyers' important role in the success and strength of Loblaw Companies Limited.



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W. GALEN WESTON
CHAIRMAN OF THE BOARD

RICHARD J. CURRIE
PRESIDENT

W. Galen Weston

Richard J. Currie



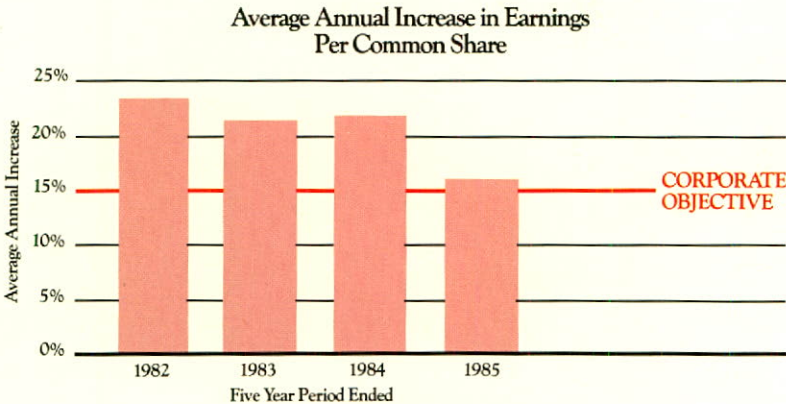
CORPORATE PHILOSOPHY
AND OBJECTIVES

To maintain a reputation of being a good company, worthy of the trust placed in us by our shareholders, our employees, our customers, our creditors, our suppliers and our communities.

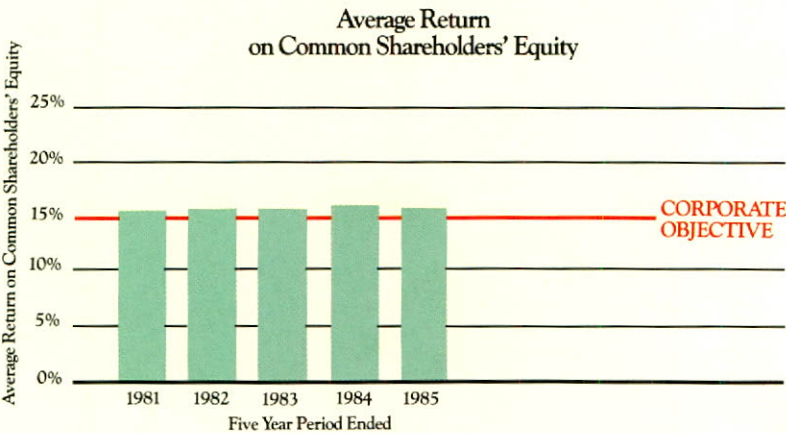
To develop excellence through a blend of operating consistency and marketing innovation.

To keep growth rates and risk levels balanced by operating in retail and wholesale businesses and in several geographic markets.

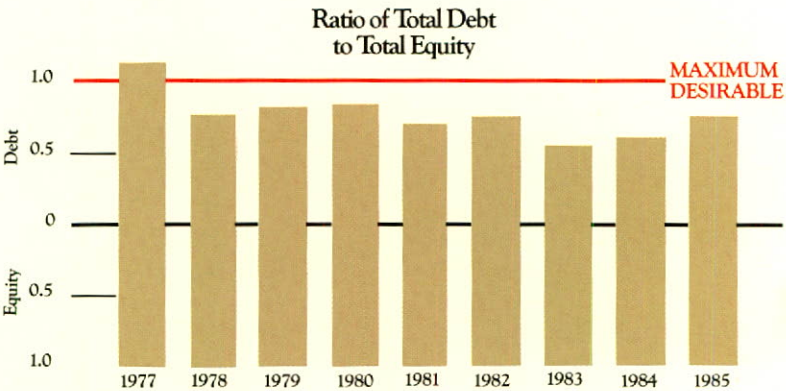
To increase earnings per common share at an average rate of 15 percent per year over any five year period.



To provide an average return on common shareholders' equity of 15 percent per year over any five year period.



To have less total debt than total equity in the business.



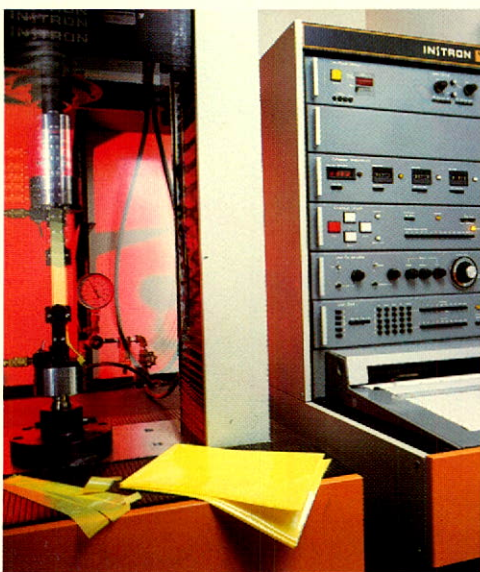
FINANCIAL HIGHLIGHTS

		1985	1984	1983
OPERATING RESULTS (\$ millions)	Sales	6,931	6,419	6,091
	Operating income	152	138	128
	Earnings before extraordinary items	67	61	52
	Net earnings	67	64	53
FINANCIAL POSITION (\$ millions)	Total debt	390	283	233
	Total shareholders' equity	521	466	413
	Total assets	1,530	1,264	1,151
CHANGES IN FINANCIAL POSITION (\$ millions)	Cash flow from operations	138	124	118
	Purchase of owned fixed assets and properties for development	192	148	98
PER COMMON SHARE (dollars)	Earnings before extraordinary items	1.70	1.53	1.31
	Net earnings	1.70	1.62	1.33
	Cash flow	3.88	3.49	3.33
	Book value	11.69	10.17	8.66
	Actual dividends paid	0.31	0.27	0.235
	Year end dividend rate	0.32	0.28	0.24
	Price range - high	24.25	19.50	14.88
	- low	16.00	13.13	9.25
FINANCIAL RATIOS	Return on common equity	15.6%	16.3%	16.3%
	Return on capital employed	17.0%	18.1%	18.6%
	Pretax return on sales	1.7%	1.7%	1.7%
	Working capital ratio	1.20:1	1.26:1	1.24:1
	Total debt to equity	0.75:1	0.61:1	0.56:1

CHAIRMAN'S REPORT TO SHAREHOLDERS

1985 was another year of enormous achievement for Loblaw Companies. Sales and earnings both established new records in spite of a costly restructuring in Ontario, our largest market area. The reallocation of people, assets and priorities in that province was designed to prepare the Company for the new low-cost, high-velocity marketplace which we see emerging. This program is now almost complete.

In several other divisions, competition has been extremely intense as many traditional retailers fight for survival in a changing world where costs of doing business continue to rise faster than the ability to generate increased sales. Destabilized pricing has occurred in several market areas and non-union independents continue to make progress at the expense of the chains. Your Company's relative position in a dynamic marketplace is good and improving consistently. Over several years management has closed older, obsolete facilities and replaced them with new format stores so that over the past four years annual average sales per square foot have risen over 40% to \$432 in 1985. The clear objective has been to establish the best retail vehicle appropriate to the



community it serves.

Behind our store formats is an infrastructure of efficient warehousing and distribution services, a highly sophisticated data processing capability, and a private brand program clearly superior to any with which we compete.

A financial summary of our Company would show that from 1980 to 1983 cash flow exceeded capital expenditures by \$90 million so that by the beginning of 1984 we had an exceptionally strong balance sheet with almost twice as much equity as debt.

From this enviable position we were able to move confidently in support of a highly intensive capital development program with the emphasis on large superstores both in Canada and the U.S. We are encouraged by the performance of these large stores to date. They are designed to provide the lowest food costs in their marketplace while taking only a modest share of a large market area leaving room for a variety of supermarkets, convenience stores and specialty food stores to provide adequately for all the needs of the consumer.

During the last two years your Company's earnings per share has increased by 30 percent and the share price has almost

QUALITY ASSURANCE

As Quality Assurance Manager for Loblaw International Merchants, Larry Griffin is responsible for establishing and ensuring the continued quality of corporate brand products. This means working directly with manufacturers to ensure that the Company's high standards are maintained enabling us to offer quality products at prices significantly below those of brand products.

doubled. This means that our price/earnings multiple is now 14x, an exceptionally high level by industry standards and clearly the highest in our history. While this presents a heavy obligation on management for superior future performance, I believe that Loblaw Companies has never been better positioned for growth and that we have the best management team in the industry. As a result, the probability of being able to meet these expectations is high. The recently announced 2 for 1 share split recognizes the significant increase in the market value of our shares over the past decade. The split does not alter the value of an individual's holdings or the dividend rate, but will make it more attractive for small holders to own a meaningful number of shares. We are the largest food distribution company in Canada. With this responsibility your board and management are committed on behalf of customers, employees and shareholders alike to make this Company constantly worthy of your investment and your continuing interest.

W. Galen Weston

W. Galen Weston
Chairman of the Board
Loblaw Companies Limited



PRESIDENT'S REPORT

NATIONAL BRANDS BUYING

Ross Mitchell, Vice President of National Brands for Intervale Buying and Merchandising Services, is responsible for negotiating purchase agreements with national brand vendors. A 10-year veteran of the organization, Ross is committed to the philosophy that "Each person should do their utmost to further the aims of the Company without being concerned about the credit."

He is in an ideal position to put this philosophy into practice as the deals he negotiates impact prices on national brand products in all our Canadian operations.

The operating environment in the past year continued the pattern of the last few years. The Canadian CPI on food increased by 2.5 percent in 1985 and by 2.0 percent in the last quarter. In the United States, CPI on food increased 1.4 percent for both the year and the last quarter. For each of the past 5 years, food prices in North America have risen at only about two-thirds the rate of the consumer price index. In an industry where approximately two percent tonnage growth per year is the norm, these sustained operating conditions created an intense cost/price squeeze on all food distributors. Companies unwilling to change their operating style to one emphasizing productivity rather than growth, or unable to adapt their asset base to reflect the changing dynamics of food distribution, have had their present profit margins slide and their future profit potential virtually vanish.

Fortunately, your Company in the years from 1977 to 1983, concentrated on improving its asset base and strengthening its balance sheet while testing new store formats, merchandising programs, systems and products. During that time, a cadre of talented people were developed into tested and proven business operators.



In 1984, Loblaw Companies Limited started its thrust to the future on the base of its strong financial position, proven store formats and seasoned business people. That momentum carried forward into 1985. Results for the year continued to improve even though the year was the second consecutive one of record capital investments and the first year of implementation of the major organizational changes in Ontario and in product development and procurement as outlined in last year's annual report.

Sales for the year 1985 were \$6.93 billion, a record level, and an increase of 8.0 percent over 1984. Canadian sales increased to \$4.67 billion or 6.2 percent over last year. United States sales increased to \$2.26 billion or 11.7 percent over last year. These figures are particularly pleasing when compared to increases in the food consumer price index figures for last year.

Operating income was \$151.5 million in 1985, improving 10.0 percent from the \$137.7 million achieved in 1984 and reflecting favourably on the investment policies of the Company.

Earnings before extraordinary items improved 9.8 percent to \$67.1 million (\$1.70 per common share) from

CORPORATE BRANDS BUYING

As Group Vice President of Corporate Brands for Intervive Buying and Merchandising Services, Robert Chenaux finds himself involved from start to finish in purchasing all corporate brand items, including unique offshore products, for successful introduction to the customer.

The rewards of this work are tremendous as the Company is able to bring unique, high quality products to its customers at very reasonable prices.

With pride, born of conviction, he states: "I believe Loblaw Companies Limited is on the leading edge of innovation in the Canadian grocery market."

last year's \$61.1 million (\$1.53 per common share).

Your management has long recognized that food merchandising is a regional business and that regional markets and tastes are best served through stores differentiated from the competition and designed to serve a targeted customer niche. This outlook on food merchandising determines our strategic plans and investments.

The past two years have seen record investment programs take place. We have made these investment commitments in a positive labour relations environment and provided labour union understanding of the competitive realities of the marketplace continues, it is the intention of your Company to spend over \$600 million on capital expansion in the next three years. Such a program will provide a more profitable and secure business for employees and shareholders alike.

The effects of such a program can be seen on the 1985 income statement. In running the business, trading profits (earnings before taxes, interest, depreciation and investment income) is an important line as it determines the profitability of the business prior to non-trading expenses. In 1984, trading



profits increased \$15.9 million or 8.7 percent and earnings before taxes by \$6.5 million or 6.4 percent. For 1985, trading profits continued to be solid as they increased \$21.0 million or 10.5 percent, while earnings before taxes increased by \$6.7 million or 6.2 percent, as the costs of the heavy investment program continued to be felt.

Your Company's investment program is concentrating on large, high volume retail combination food and general merchandise stores which offer customers one-stop shopping for everyday household needs. At the same time it continues to build selectively on its base of wholesale service and franchise operations and high quality corporate supermarkets. Of the \$198 million in capital investments in 1985, 33 percent went to combination units, 29 percent to wholesale, distribution and administrative services and the acquisition of two United States wholesale operations and 38 percent to supermarkets. The effect on the income statement over the next few years of such an investment program should be threefold; short term in increased investment (interest and depreciation) charges, near term in strong competitive responses to our market entries and longer



term in real earnings growth as competition recognizes its ineffectiveness against the superior dynamics and the targeted and balanced operation of your Company's investments.

After 1986, if our investment program is in the right markets, with the right vehicles and programs in support of the right people, trading profits will rapidly increase and non-trading expenses (interest and depreciation) will stabilize, resulting in significant improvements in earnings before taxes.

During the decline of the recent market share leader in Ontario, your Company opted to take the approach of reorganizing and reinvesting for the long term, rather than take the short term profit opportunity presented. The reorganization of your Company's largest region, its Ontario businesses, into a services element and a merchandising and operations element, which was begun in the last half of 1984, improved in all aspects as the year 1985 progressed. The purpose of the reorganization was to allow Loblaw's Supermarkets, National Grocers, Zehrmarkt and Combined Merchandisers to concentrate fully on their targeted customer niche without being bogged down

PRODUCE BUYING

Jim Lund has been with National Tea for 45 years. Certainly, he's accumulated an historical perspective of the present day supermarket industry. When he joined the Company, World War II was still being fought and food rationing was a by-word of the times. Now he takes pride in seeing our stores stocked with an ever increasing array of fresh produce, including unique and imported products.

In his capacity as Produce Buyer, Jim is responsible for some of those quantum leaps. He assesses numerous growers' products, determining the location of the best quality items. Says Jim, "The quality we present to the customer has never been better."

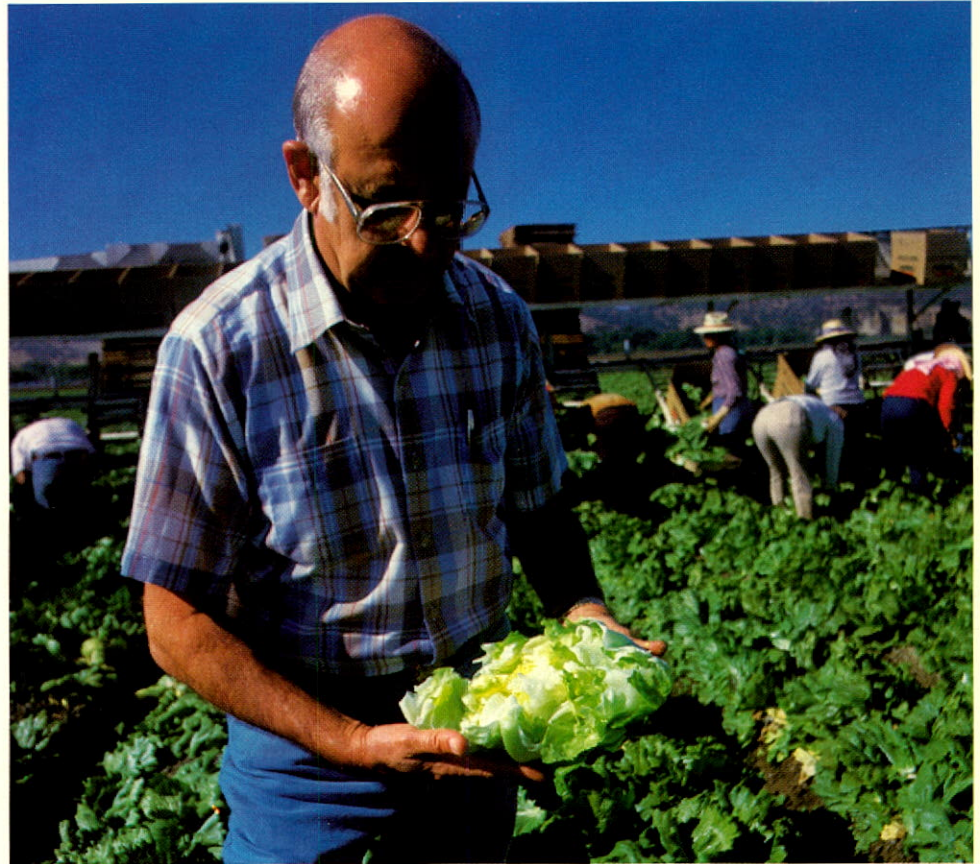
individually with all the distribution and administrative parts of their businesses. These elements were centralized for efficiency while their merchandising and operating elements were decentralized for effectiveness.

To summarize the year 1985, it was a year of good tonnage and earnings growth during a period of record capital investments and major business reorganization.

Loblaws Companies Limited has increased its earnings per share every year since 1977, and at an average compound growth rate of 20.6 percent per year.

Moreover, in that time span, it has increased its earnings in every single quarter over the comparable quarter in the previous year.

The outlook for 1986 is for heightened competitive activity directly in response to our committed strategic direction. Nevertheless, it should be a year in which net corporate retail store space increases significantly for the first time since 1977 and wholesale volume continues its rapid growth rate of the past few years. Entering 1986, your Company has proven formats and proven personnel in each of its operating areas - Eastern Canada, Western Canada and



the United States. Its merchandising systems and product development and procurement activities are improving steadily and its cost per ton is falling. While 1986 will be difficult competitively, your Company has the means to offset this condition through many internal operating improvements while at the same time increasing its volume.

Beyond 1986, your Company will show the positive effects of its major investment in differentiated stores and differentiated products as the impact of this investment and improved merchandising is realized.

Since 1977, Loblaw Companies Limited has come from a turnaround situation to the point where it is a recognized world leader in food distribution. That does not happen without the support of talented, trained, and dedicated employees at all levels of responsibility. The success with which they have handled the enormous environmental, competitive and organizational burdens of the last three years gives me every confidence that the years to come will be the most rewarding ones yet to all **shareholders**. The performance, mutual



forbearance and understanding of all employees - who really are the **stakeholders** in the business - has greatly enhanced their opportunities for security in any future environment.

Richard J. Currie

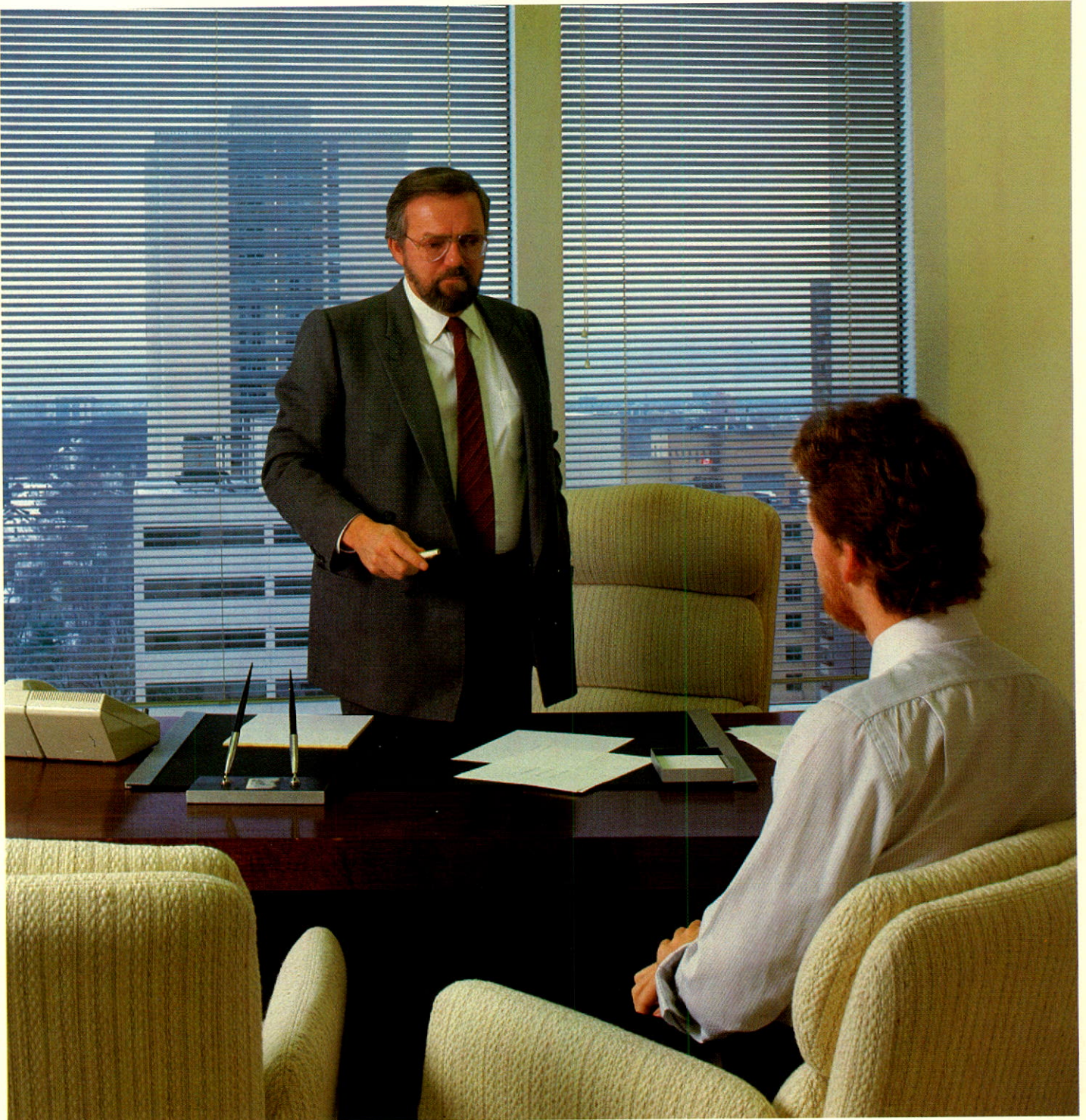
Richard J. Currie
President
Loblaw Companies Limited



BUYING SERVICES AND SYSTEMS

More than a decade of experience in the Company has given Douglas Lunau insight into all aspects of the supermarket industry. Now, as Executive Vice President of Central Canada Grocers, Doug's knowledge is being well utilized. He is responsible for all the buying and merchandising in Ontario. Doug is supported by a team of seasoned category managers and state-of-the-art computerized ordering and inventory control systems.

In Doug's words, Loblaw Companies Limited is "the most progressive, technically-adapted food distribution organization in North America."



EASTERN CANADIAN OPERATIONS

Eastern Canadian Operations take place in the Province of Ontario and in the Maritimes. All the Ontario operations are grouped under Central Canada Grocers Inc., of which David M. Williams is President. The subsidiaries of Central Canada Grocers include its retail components - Loblaw's Supermarkets Limited with David T. Stewart as President; Zehrmart Limited with Grant J. Heimpel as President and Combined Merchandisers Inc. with Edward B. Johnston as President. The wholesale subsidiary is National Grocers Co. Ltd. with Neil M. Walker as President.

In the Maritimes, Eastern Operations are represented in both the retail and wholesale food segments by Atlantic Wholesalers Ltd., of which Albert F. Rose is President.

Total sales of Eastern Canadian Operations in 1985 were \$2.780 billion, an improvement of 3.3 percent over 1984 results. At year end, 203 corporate stores were operated and 586 franchised accounts and 6,239 unaffiliated customers were served.

Retail operations consist of the 30 "Loblaws", 50 "Loblaws Warehouse Superstores", 34 "no frills", 1 "Ziggy" gourmet shop of Loblaw's Supermarkets Limited, 49 "Zehrs", 3 corporate National Grocers stores and 1 "Super Centre" in Ontario. Atlantic Wholesalers has 17 "Save-Easy", 4 "Save-Easy Warehouse Foods", 13



"no frills" and 1 "Foodmaster" store. At year end, three combination units of over 80,000 square feet each were under construction — in Burlington, Ontario; Sarnia, Ontario; and Moncton, New Brunswick.

Wholesale and retail businesses in Eastern Operations are serviced by 31 warehouses. In addition, the wholesale operations operate 44 cash and carry facilities.

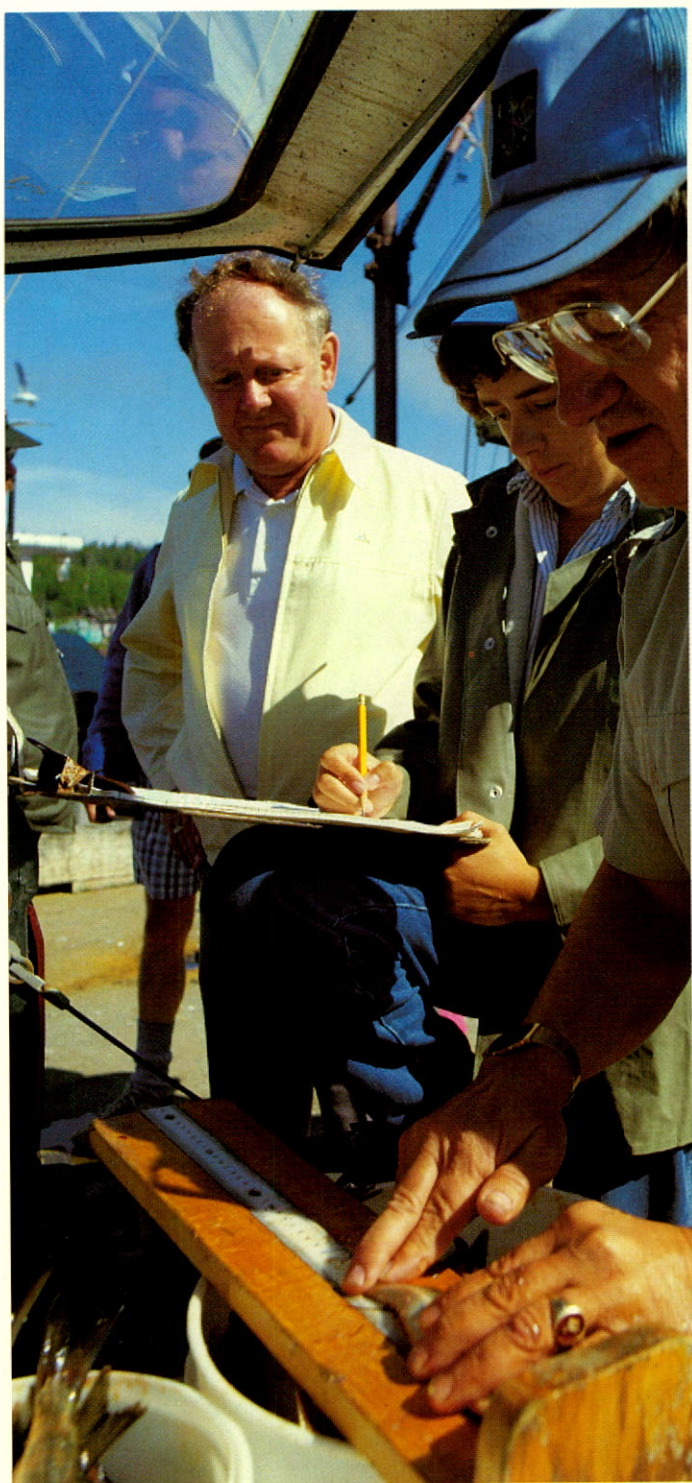
Eastern Operations' operating income in 1985 was \$71.5 million and represents a 1.7 percent increase from 1984. This increase was achieved in spite of the turbulent competitive activity in Ontario following the decline and sale of many Dominion outlets and the costs associated with the Ontario reorganization. At present, Eastern Operations represent 40.1 percent of sales and 47.2 percent of the operating income of Loblaw Companies Limited as compared with 41.9 percent of sales and 51.1 percent of the operating income in 1984.

Eastern Operations' outlook for 1986 is good. With the repositioning and reorganization of Ontario and costs associated with those activities largely completed and the organization, staffing and startup of Combined Merchandisers finished in 1985, the upcoming year will be one in which the focus of Eastern Operations will be towards merchandising and operations and away from business reconstruction and redirection.

SEAFOOD BUYING

"There are two types of buyers," says Bill Hemeon. "One buys to have it. The other buys to sell it." And without a doubt, Bill embodies the latter credo.

With a taste of everything in the food industry plus 11 years with Atlantic Wholesalers, he draws on both retail and wholesale experience to cut the best deals for his customers.



WESTERN CANADIAN OPERATIONS

Western Canadian Operations take place in the Provinces of Manitoba, Saskatchewan, Alberta and British Columbia as well as the Yukon and Northwest Territories. All these operations are grouped under Kelly, Douglas & Company, Limited of Vancouver, in which Loblaw Companies Limited has an 85 percent interest. Western Operations take place under two divisions; the Prairie Division headquartered in Winnipeg, Manitoba and the British Columbia Division headquartered in Vancouver, British Columbia.

Total sales of Western Canadian Operations in 1985 were \$1.888 billion, an improvement of 10.9 percent over 1984 results. At year end, 51 corporate stores were operated and 7,580 franchised and independent accounts served.

Retail operations consist of 29 "OK Economy", 7 "Economart", 2 "Shop-Easy", 9 "Real Canadian Superstores" and 4 stores operating under various other names. There are no corporate stores in British Columbia.

Wholesale operations consist of 29 wholesale warehouses and 21 cash and carry warehouses.

Sales in the Prairie Division improved 21.3 percent in 1985 to \$1.283 billion, following a 19.1 percent improvement the previous year.

Sales in the British Columbia Division declined to \$605 million in 1985 following a decline from \$695 million to \$644 million last



year. Some British Columbia operations were rationalized into Alberta and some British Columbia customers opted to change suppliers in response to our competitive thrust in the Prairies. Also, the expectations of some customers to be supplied at less than profitable margins to your Company continued to be denied. The base of Western Operations' business is its wholesale and franchised independent operations. The retail segment has been used to develop higher risk concepts with significant profit potential. 1985 was a year in which some of this potential was realized. In the long run this strategy, which weakens less cost-efficient supermarket competitors, will secure the investment of our independent businessmen in the region as well.

Western Operations' operating income in 1985 was \$47.8 million and represents a \$10.2 million increase from last year. The basic reason for this substantial increase was the maturing of the Real Canadian Superstore concept and its ability, demonstrated in the previous year, to weather any competitive activity in its operating areas. Western Operations now represents 27.2 percent of sales and 31.6 percent of operating income in Loblaw Companies Limited as compared with 26.5 percent of sales and 27.3 percent of operating income in 1984 and 26.0 percent of sales and 27.9 percent of operating income in 1983.

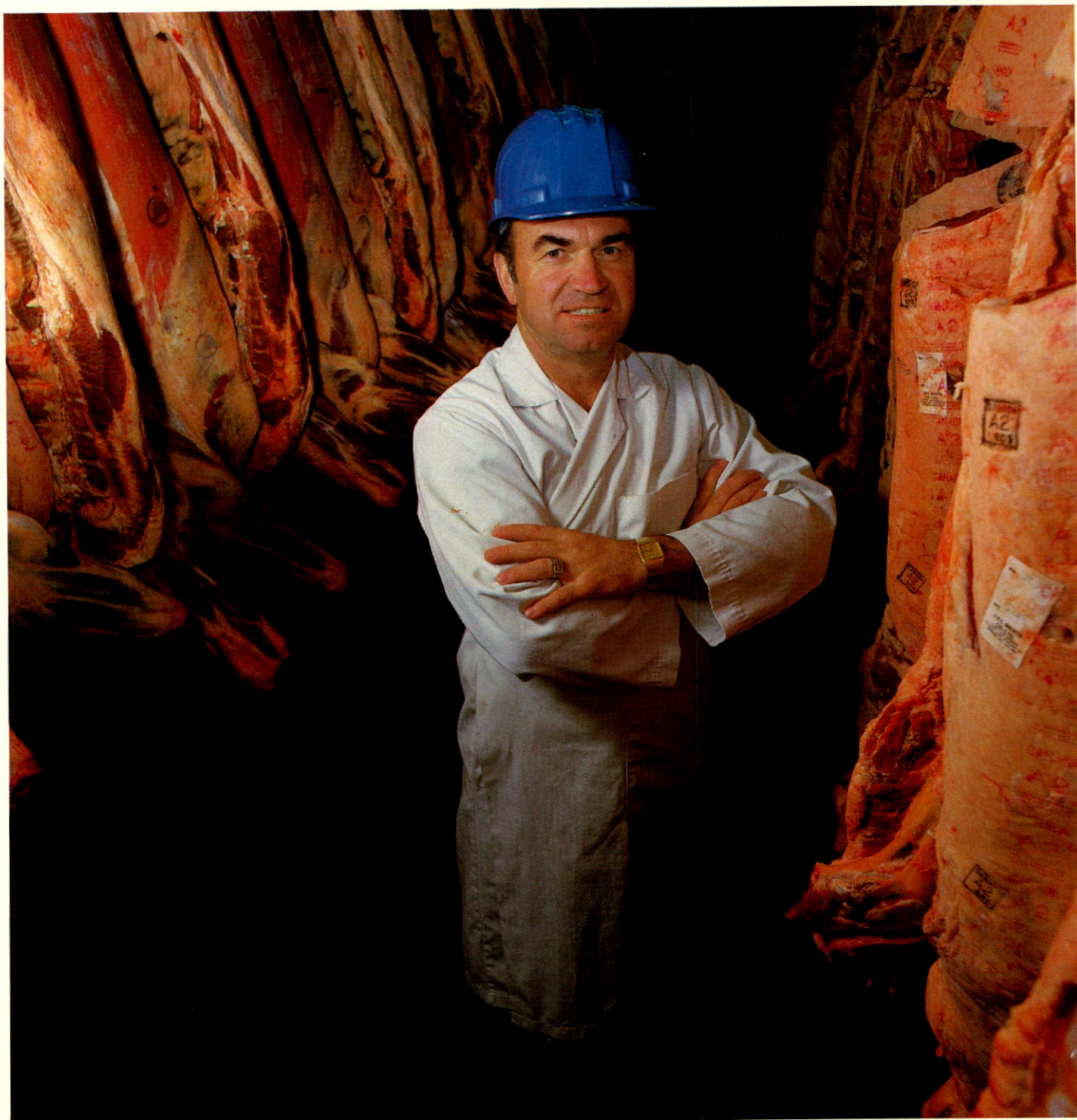
MEAT BUYING

Larry Stoughton has been a meat man all his life. And that's hardly surprising. He was born on a mixed farm in Manitoba. The West, famous for its cattle ranches, has been his home ever since.

He started with Kelly, Douglas at 19 as a meat apprentice. Now with 28 years experience, there's very little Larry doesn't know when it comes to meat.

He managed his first meat department at the age of 21, then moved to supervision. From there he gained experience in meat merchandising and managing. As a buyer, he selected and purchased dressed cattle throughout Western Canada.

Four years ago, Larry was promoted to Meat Operations Manager. His responsibilities in buying and merchandising all meats including poultry, seafoods and deli items, are a culmination of those years' experience.



UNITED STATES OPERATIONS

BAKERY OPERATIONS

Although most of the products your Company sells are sourced outside, some are manufactured in-house. Staff at National Tea's Bakery Division produce doughs of a uniform high quality for pastries, danishes and variety breads, as well as making over 700 finished cakes each day.

This operation functions as a profit centre with a number of independent customers while allowing a high degree of targeted customer service in our own stores.

United States Operations take place in eight states — Alabama, Illinois, Louisiana, Mississippi, Missouri, New York, Ohio and Pennsylvania and operate in both the wholesale and retail segments of food distribution.

Peter J. Schmitt Co., Inc.'s operations, headquartered in Buffalo, New York, at year end operated 18 corporate stores (3 "Apple", 4 "Bells", 7 "Loblaws" and 4 under various other names) compared with 21 at year end in 1984 and 25 at year end in 1983. Total franchised stores at year end were 172 with 1,181 independent accounts also being served. These figures compare with 150 franchised stores and 700 independent accounts at the end of the 1984 year. During the year Santisi Produce Company of Youngstown, Ohio, and Betsy Ross Foods, Inc. of Akron, Ohio, were acquired. These operations were integrated into the Sharon Division (now called the Tri-State Division) by year end. Beginning with the acquisition of Golden Dawn Foods, Inc. in 1982, this division is now almost equal in size to the Buffalo Division (now called the Northeast Division), which operates from east of Rochester, New York, to Erie, Pennsylvania.

National Tea Co. at year end operated 44 "National" stores within a 75-mile radius of St. Louis, Missouri, and 30 "National", 14 "Canal Villere", 1 "Superstore" and 2 "Real Superstore" stores within a



150-mile radius of New Orleans, Louisiana. A 95,000 square foot "Real Superstore" opened in Lafayette, Louisiana, in October. The store has performed above expectations and joins a 69,000 square foot store in Baton Rouge as full-line food and general merchandise combination stores leading United States Operations into the future of food retailing.

Operating income in 1985 in United States Operations was \$35.0 million on sales of \$2.263 billion, \$1.147 billion in National Tea and \$1.116 billion in Peter J. Schmitt. This operating income compares with \$33.9 million in 1984 and \$32.3 million in 1983. United States Operations now represents 32.7 percent of Loblaw Companies' sales and 23.1 percent of its operating income as compared with 31.6 percent of sales and 24.6 percent of operating income in 1984 and 32.3 percent of sales and 25.2 percent of operating income in 1983.

For 1986 and beyond, United States Operations will continue the policy outlined in the last two annual reports and demonstrated in the 1985 year — investment will continue to be made as justified by the projected productivity of the individual retail unit, and where long term wholesaling opportunities appear.

MEAT PROCESSING

Kurt Diehl celebrates a quarter-century in the meat business this year. He's applying all that experience to Z & W Foods as Vice President, Operations.

Originally from Germany where he had apprenticed and worked as a butcher, Kurt was discovered and hired by Ziggys to manage its Yorkdale Operation. With his expertise in meat, his career in meat manufacturing was almost preordained. Today, 15 years later, he is responsible for the overall operation of Z & W Foods. Z & W contributes to the overall strength of Loblaw Companies through its sales of high quality meat to independent customers as well as by allowing development of unique products for the Loblaw Group.



RETAIL AND WHOLESALE OPERATIONS

Retail Operations include the stores of those businesses which are exclusively retail-oriented - i.e., Combined Merchandisers, Loblaw's, National Tea and Zehrmart - plus the corporately owned stores of the four wholesale businesses - i.e., Atlantic Wholesalers, Kelly, Douglas, National

Grocers and Peter J. Schmitt. Wholesale Operations include the sales and services of the four wholesale businesses to franchised accounts and unaffiliated accounts, exclusive of sales to corporate stores of that business or an associated business. The corporate store operations of the wholesale

business are viewed as being complementary to and not competitive with the wholesale operations of those same businesses.

The following charts illustrate the makeup and trends in Loblaw Companies Limited when viewed from a retail and wholesale perspective.

	1985		1984		1983	
RETAIL OPERATIONS						
	Stores	Sq. Ft. (in millions)	Stores	Sq. Ft. (in millions)	Stores	Sq. Ft. (in millions)
Beginning of year	381	9.2	403	9.1	508	11.3
Opened	18	.6	16	.6	10	.3
Closed	(26)	(.4)	(34)	(.5)	(84)	(1.7)
Franchised						
Transfer to:	(19)	(.4)	(8)	(.2)	(33)	(.8)
Transfer from:	9	.2	4	.2	2	
End of year	363	9.2	381	9.2	403	9.1
Annual sales (in millions)	\$3,940		\$3,659		\$3,525	
Annual average sales per gross sq. ft.	\$432		\$400		\$364	

WHOLESALE OPERATIONS

End of year			
Cash & carry units	65	75	79
Franchised accounts	1,284	1,305	1,370
Unaffiliated accounts	14,474	12,860	14,400
Annual sales (in millions)	\$2,991	\$2,760	\$2,566

NINE YEAR ANALYSIS

	1985	1984	1983	1982	1981	1980	1979	1978	1977
BY OPERATING REGION (\$ millions)									
Sales									
Eastern operations	2,780	2,692	2,538	2,407	2,245	2,070	1,798	1,646	1,509
Western operations	1,888	1,702	1,583	1,714	1,598	1,424	1,324	1,171	1,027
United States operations	2,263	2,025	1,970	2,100	1,952	1,881	1,603	1,430	1,199
Total	6,931	6,419	6,091	6,221	5,795	5,375	4,725	4,247	3,735
Operating income									
Eastern operations	72	70	62	56	53	52	29	24	21
Western operations	48	38	36	33	36	29	24	23	20
United States operations	35	34	32	32	31	31	26	17	15
Corporate	(3)	(4)	(2)	(6)	(7)	(13)	(7)	(4)	(7)
Total	152	138	128	115	113	99	72	60	49

QUARTERLY EARNINGS PER SHARE (dollars)

First quarter	\$0.26	\$0.23	\$0.19	\$0.17	\$0.14	\$0.11	\$0.07	\$0.05	\$0.04
Second quarter	0.41	0.36	0.28	0.24	0.23	0.16	0.11	0.09	0.05
Third quarter	0.51	0.46	0.40	0.32	0.29	0.24	0.18	0.16	0.09
Fourth quarter	0.52	0.48	0.44	0.35	0.31	0.31	0.22	0.20	0.20
Total earnings before extraordinary items per share	\$1.70	\$1.53	\$1.31	\$1.08	\$0.97	\$0.82	\$0.58	\$0.50	\$0.38

NINE YEAR SUMMARY

	1985	1984	1983	1982	1981	1980	1979	1978	1977
EARNINGS STATEMENT (\$ millions)									
Sales - Canada	4,668	4,394	4,121	3,847	3,513	3,198	2,857	2,645	2,412
- United States	2,263	2,025	1,970	2,374	2,282	2,177	1,868	1,602	1,323
Total	6,931	6,419	6,091	6,221	5,795	5,375	4,725	4,247	3,735
Operating income	152	138	128	115	113	99	72	60	49
Depreciation	73	67	62	58	53	48	36	31	28
Interest	36	29	26	26	29	26	22	16	18
Income taxes	44	44	46	39	37	34	21	20	13
Minority interest	4	3	4	4	6	5	6	5	4
Earnings before extraordinary items	67	61	52	45	41	34	23	19	13
Extraordinary items		3	1	(6)	12	12	12	7	5
Net earnings	67	64	53	39	53	46	35	26	18

PER COMMON SHARE (dollars)

Earnings before extraordinary items	1.70	1.53	1.31	1.08	0.97	0.82	0.58	0.50	0.38
Net earnings	1.70	1.62	1.33	0.92	1.32	1.20	0.96	0.72	0.54
Dividends	0.31	0.27	0.235	0.21	0.17	0.135	0.115	0.075	0.065

RETURN ON SALES

Operating income	2.2%	2.1%	2.1%	1.9%	1.9%	1.8%	1.5%	1.4%	1.3%
Earnings before income taxes	1.7%	1.7%	1.7%	1.4%	1.4%	1.4%	1.1%	1.0%	0.8%
Earnings before extraordinary items	1.0%	1.0%	0.9%	0.7%	0.7%	0.6%	0.5%	0.4%	0.4%

EARNINGS RATIOS*

Return on common equity	15.6%	16.3%	16.3%	15.3%	16.3%	16.9%	15.2%	16.2%	14.9%
Return on capital employed	17.0%	18.1%	18.6%	17.5%	18.0%	17.3%	14.8%	14.7%	12.9%

*Earnings ratios have been computed as follows:

Return on common equity

Earnings before extraordinary items less preferred dividends divided by average common share capital, retained earnings, equity from foreign currency translation and the applicable portion of contributed surplus.

Return on capital employed

Operating income divided by average total assets less non-interest bearing debt.

	1985	1984	1983	1982	1981	1980	1979	1978	1977
FINANCIAL POSITION									
(\$ millions)									
Current assets	753	624	581	575	531	491	465	414	381
Current liabilities	627	495	470	479	433	401	378	336	304
Working capital	126	129	111	96	98	90	87	78	77
Owned fixed assets (net)	597	494	418	376	340	315	293	241	210
Property under capital leases (net)	59	61	67	81	86	87	44		
Total assets	1,530	1,264	1,151	1,111	1,034	962	868	713	631
Long term debt	266	174	138	133	98	99	110	102	106
Total debt	390	283	233	253	220	231	195	151	158
Retained earnings	295	245	198	159	134	95	62	35	14
Shareholders' equity	521	466	413	344	317	277	242	190	139

CHANGES IN FINANCIAL POSITION (\$ millions)

Cash flow from operations	138	124	118	114	111	98	75	61	50
Purchase of owned fixed assets and properties for development	192	148	98	69	92	92	99	99	63

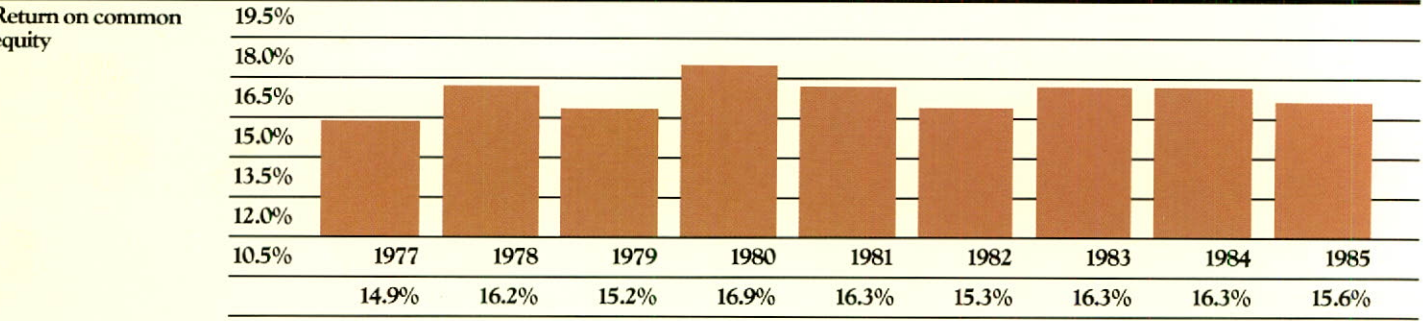
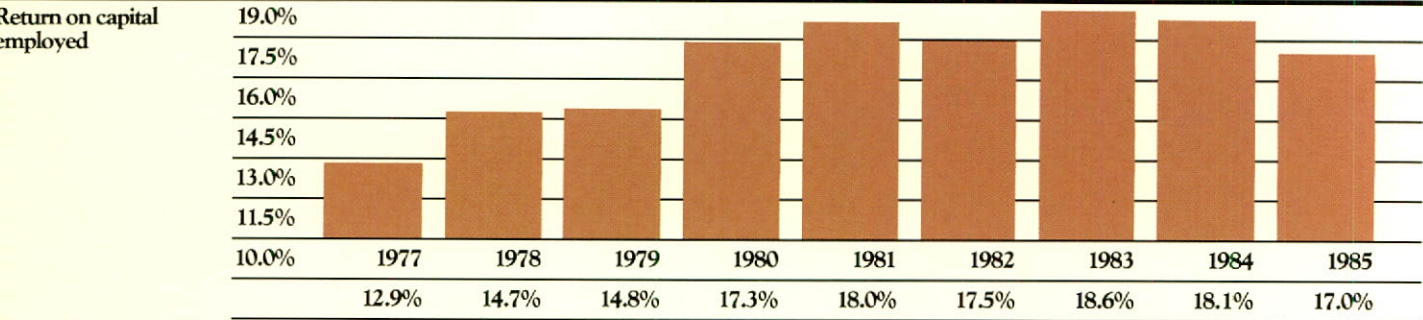
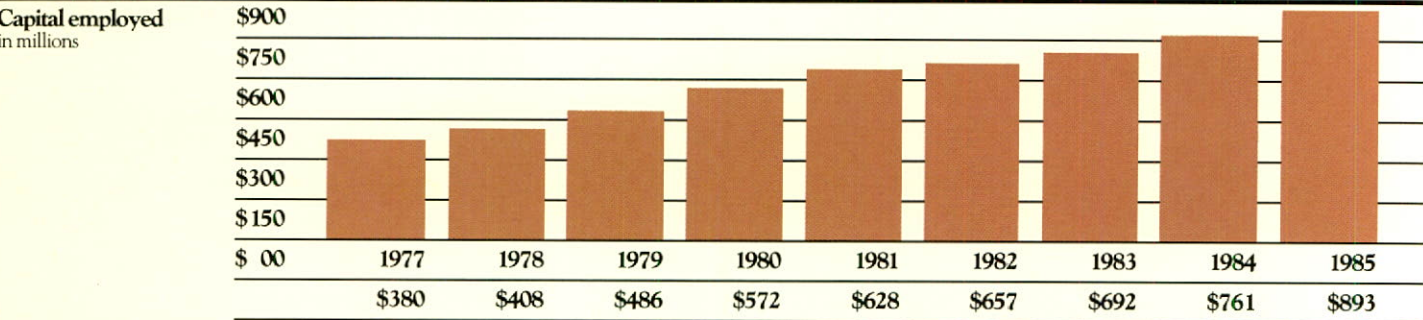
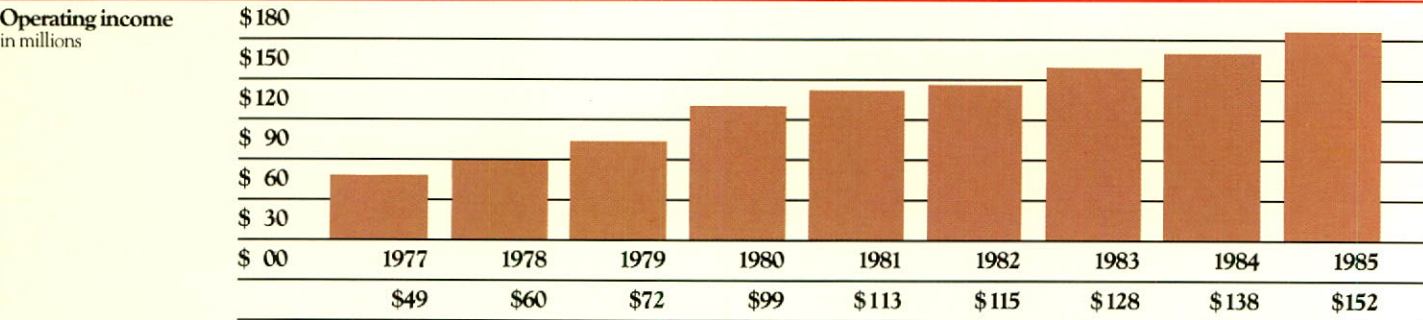
PER COMMON SHARE (dollars)

Cash flow from operations	3.88	3.49	3.33	3.22	3.24	3.08	2.35	1.92	1.57
Book value	11.69	10.17	8.66	7.38	6.68	5.35	4.29	3.44	2.79

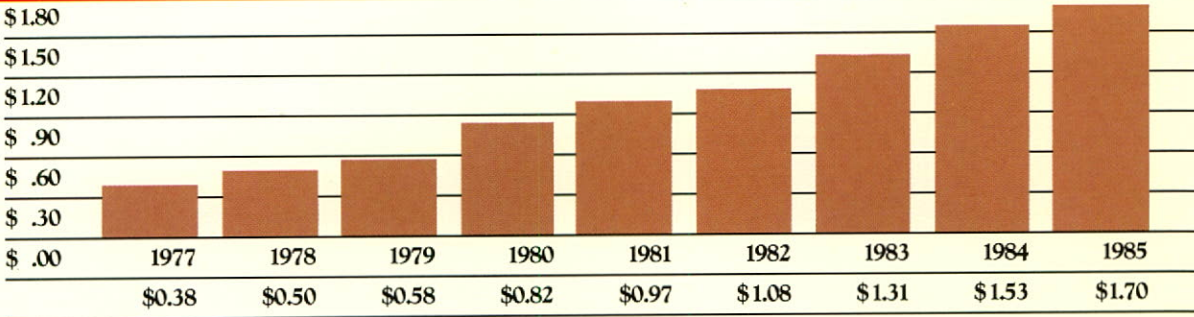
FINANCIAL RATIOS

Working capital	1.20:1	1.26:1	1.24:1	1.20:1	1.23:1	1.22:1	1.23:1	1.23:1	1.25:1
Total debt to equity	0.75:1	0.61:1	0.56:1	0.74:1	0.70:1	0.83:1	0.81:1	0.80:1	1.14:1
Cash flow from operations to long term debt	0.52:1	0.71:1	0.86:1	0.86:1	1.13:1	1.00:1	0.68:1	0.60:1	0.47:1
Interest coverage on total debt	4.17:1	4.72:1	4.86:1	4.35:1	3.80:1	3.83:1	3.26:1	3.72:1	2.72:1

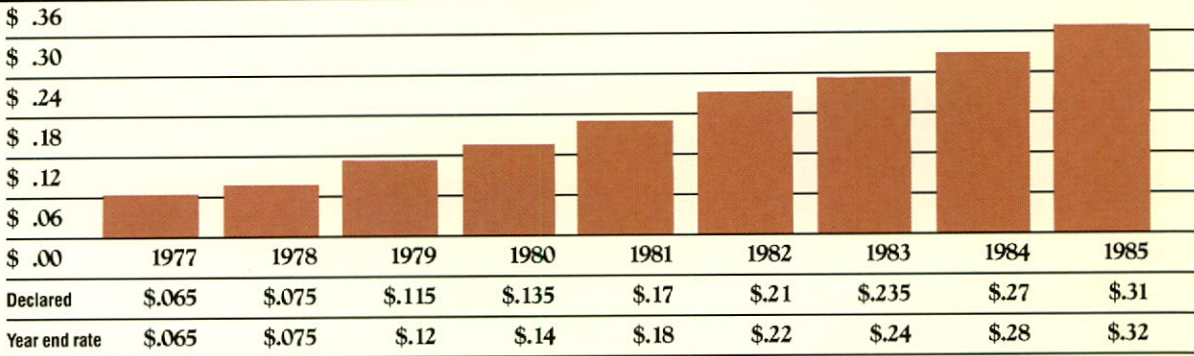
NINE YEAR GRAPHICAL ANALYSIS



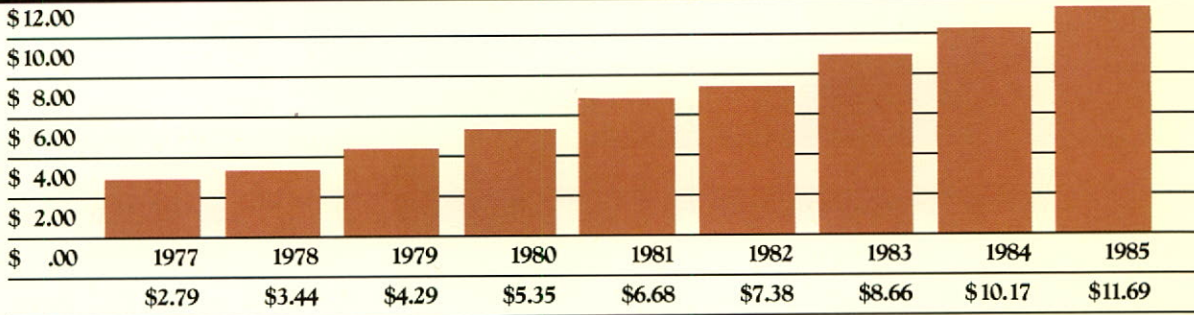
Earnings before
extraordinary items
per share



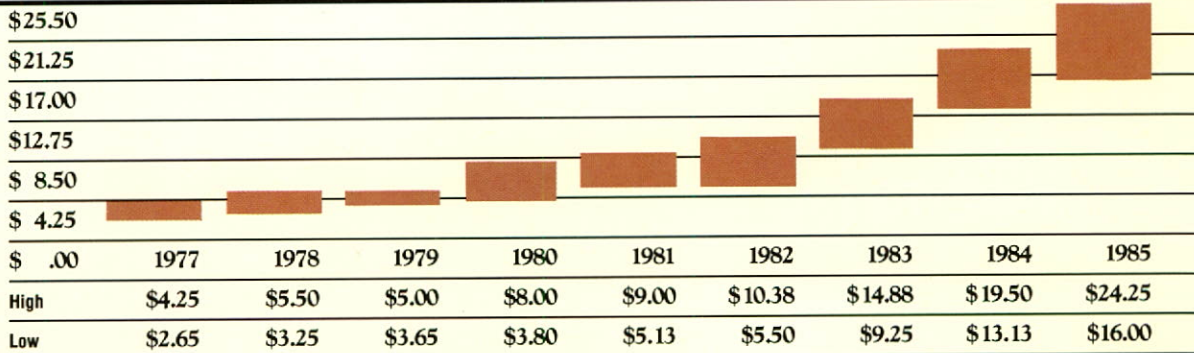
Dividends
per share



Book value
per share



Price range
per share



NEW PRODUCT DEVELOPMENT

UNIQUE PRODUCTS AND PROGRAMS

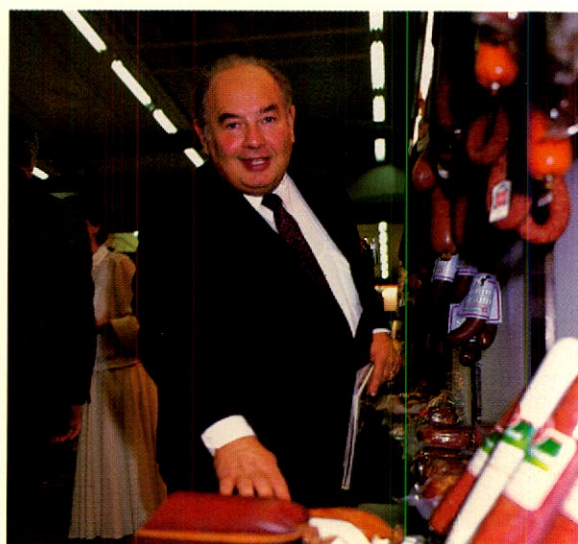
As an Executive Vice President of Loblaw Companies Limited, David Nichol is responsible for the development and merchandising of unique products and programs throughout the Company. In 1985 he introduced the *Insiders Report*, a powerful merchandising vehicle, to many of our North American markets. Shown in a cookie manufacturing plant, he is ensuring that his specifications for quality are satisfactorily met on one of Loblaw Companies most successful unique products—Our President's Choice Extra Chocolate Chip Cookies.

The President's Choice Amarylis is also shown being carefully packed for shipment at Underwater Company in Lisse, Holland, exclusively for Dave Nichol's *Insiders Report*.

NATIONAL PROCUREMENT

Brian Davidson is Senior Vice President, Business Development for Loblaw Companies where his energy and enthusiasm for the supermarket industry allows the Company to be a place "for us to be entrepreneurs."

An integral part of the Company for 13 years, Brian is responsible for all procurement at the national corporate level. A strong contributor to unique merchandising concepts, he's been instrumental in the formation of Ziggys and the creation of Intersave, where he is Chairman and President, in addition to his role as Senior Vice President of Loblaw Companies Limited.



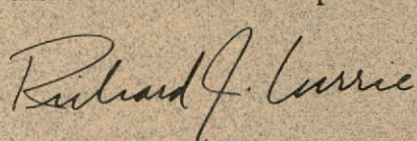
RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Loblaw Companies Limited is responsible for the preparation and integrity of the financial statements and related financial information of the Company. The financial statements and other financial information in this report have been prepared by the management of the Company in accordance with generally accepted accounting principles and, where necessary, utilizing management's judgements and best estimates.

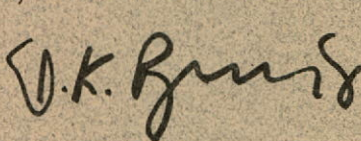
To help fulfill its responsibility and to assure integrity of financial reporting, management maintains a system of internal controls encompassing all financial records. These controls, which include a comprehensive budgeting system and timely periodic reporting of financial information, provide reasonable assurance that assets are safeguarded and transactions and events are properly recorded. To augment the internal control systems, the Company maintains a program of internal audits coordinated with the external auditors.

Ultimate responsibility for financial statements to shareholders rests with the board of directors. An audit committee of non-management directors is appointed by the board to oversee the fulfillment by management of its responsibilities in the preparation of financial statements and financial control of operations. The audit committee reviews financial statements with management and reports to the directors prior to the approval of the audited financial statements for publication.

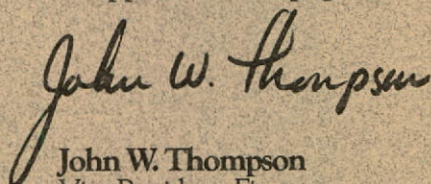
Thorne Riddell, independent auditors appointed by the shareholders, review the financial statements in detail and meet separately with both the audit committee and management to discuss their findings, including the fairness of financial reporting and the results of their review of internal controls. The shareholders' auditors report directly to shareholders and their report also appears on this page.



Richard J. Currie
President



David K. Bragg
Vice President, Controller



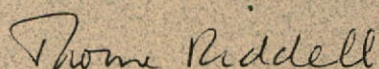
John W. Thompson
Vice President, Finance

AUDITORS' REPORT

To the Shareholders of Loblaw Companies Limited

We have examined the consolidated balance sheet of Loblaw Companies Limited as at December 28, 1985 and the consolidated statements of earnings, retained earnings and changes in financial position for the 52 weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 28, 1985 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.



Chartered Accountants
February 27, 1986
Toronto, Canada



Thorne Riddell
Chartered Accountants

Loblaw Companies Limited

Consolidated Statement of Earnings

52 Weeks Ended December 28, 1985

	1985	1984 (in millions of dollars)	1983
Sales and other income			
Sales - Canada	\$4,668.2	\$4,394.0	\$4,121.2
- United States	2,262.9	2,025.4	1,969.8
	6,931.1	6,419.4	6,091.0
Investment income	3.9	5.5	6.5
	6,935.0	6,424.9	6,097.5
Operating expenses			
Cost of sales, selling and administrative expenses	6,710.5	6,219.8	5,907.3
Depreciation - Owned fixed assets	64.1	58.6	52.9
- Property under capital leases	8.9	8.8	8.9
	6,783.5	6,287.2	5,969.1
Operating income	151.5	137.7	128.4
Interest - Long term debt	23.0	14.6	12.3
- Short term debt	3.2	4.3	3.2
- Obligations under capital leases	10.1	10.3	10.9
	36.3	29.2	26.4
Earnings before income taxes	115.2	108.5	102.0
Income taxes (note 2)	44.3	44.2	45.9
Earnings before minority interest	70.9	64.3	56.1
Minority interest	3.8	3.2	4.1
Earnings before extraordinary items	67.1	61.1	52.0
Extraordinary items (note 3)		3.1	.7
Net earnings for the period	\$ 67.1	\$ 64.2	\$ 52.7
Per common share			
Earnings before extraordinary items	\$1.70	\$1.53	\$1.31
Extraordinary items		\$0.09	\$0.02
Net earnings	\$1.70	\$1.62	\$1.33

Consolidated Statement of Retained Earnings

52 Weeks Ended December 28, 1985

	1985	1984 (in millions of dollars)	1983
Retained earnings, beginning of period	\$ 245.4	\$ 197.5	\$ 158.7
Net earnings for the period	67.1	64.2	52.7
	312.5	261.7	211.4
Dividends declared			
Preferred shares	6.6	6.7	5.6
Common shares, per share - 31.0 c (1984 - 27.0 c, 1983 - 23.5 c)	11.1	9.6	8.3
	17.7	16.3	13.9
Retained earnings, end of period	\$ 294.8	\$ 245.4	\$ 197.5

Loblaw Companies Limited

Consolidated Balance Sheet

As at December 28, 1985

	1985	1984 (in millions of dollars)	1983
Assets			
Current assets			
Cash and short term investments	\$ 1.5	\$ 7.6	\$ 45.6
Accounts receivable	207.9	152.8	136.9
Inventories	523.5	443.4	379.7
Properties held for sale	7.6	8.0	5.2
Prepaid expenses	12.6	12.3	14.1
	753.1	624.1	581.5
Investments (note 4)	102.9	70.1	77.8
Fixed assets (note 5)	596.7	494.0	417.6
Property under capital leases (note 6 (a))	58.8	61.1	67.3
Deferred income taxes	4.1	7.8	
Other assets (note 10(b))	14.1	7.2	6.9
	\$1,529.7	\$1,264.3	\$1,151.1
Liabilities			
Current liabilities			
Bank advances and notes payable	\$ 48.2	\$ 31.8	\$ 14.5
Accounts payable	363.7	299.3	267.4
Accrued liabilities	162.5	124.2	126.4
Taxes payable	26.7	26.2	47.1
Long term debt payable within one year (note 7)	15.1	3.1	8.2
Obligations under capital leases (note 6 (b))	8.1	7.3	6.5
Dividends payable	3.0	2.6	
	627.3	494.5	470.1
Long term debt (note 7)	250.7	171.2	129.5
Obligations under capital leases (note 6 (b))	67.8	69.6	74.8
Other liabilities (note 8)	28.3	30.9	29.3
Deferred income taxes			4.5
Minority interest in subsidiaries	34.6	31.9	29.7
	1,008.7	798.1	737.9
Shareholders' Equity			
Capital stock (note 9)			
Preferred shares	94.4	95.5	95.8
Common shares	104.1	103.2	103.1
	198.5	198.7	198.9
Contributed surplus	10.3	10.4	10.5
Retained earnings	294.8	245.4	197.5
Equity from foreign currency translation	17.4	11.7	6.3
	521.0	466.2	413.2
	\$1,529.7	\$1,264.3	\$1,151.1

Approved By The Board:

W. Galen Weston,
Director

W. Galen Weston

Richard J. Currie,
Director

Richard J. Currie

Loblaw Companies Limited

Consolidated Statement of Changes in Financial Position

52 Weeks Ended December 28, 1985

1985

1984

1983

(in millions of dollars)

Sources of Working Capital

Operations

Earnings before minority interest	\$ 70.9	\$ 64.3	\$ 56.1
Depreciation	73.0	67.4	61.8
Income taxes not requiring cash	3.7	.1	5.9
Profit on sale of fixed assets	(9.3)	(7.8)	(5.1)
Other	(.3)	(.1)	(.5)
Cash flow from operations	138.0	123.9	118.2

Financing

Increase in long term debt	122.6	69.5	50.4
Increase in capital lease obligations	.8	1.6	5.6
Proceeds from shares issued (note 9)	.8	.2	13.9
Contributed surplus (note 9)	(.1)	(.1)	10.5
	124.1	71.2	80.4

Other items

Proceeds from sale of fixed assets	34.3	23.6	26.1
Proceeds from sale of division			18.6
	34.3	23.6	44.7
Total sources of working capital	296.4	218.7	243.3

Uses of Working Capital

Reinvestment

Purchase of owned fixed assets and properties for development	192.0	148.2	98.3
Net increase (decrease) in other items	20.3	(5.7)	31.3
Acquisition of subsidiary companies (net of working capital acquired) (note 10 (a))	5.8		
Additions to property under capital leases	.8	1.6	5.6
	218.9	144.1	135.2

Financing

Reduction in long term debt	51.7	30.6	44.3
Reduction in capital lease obligations	9.8	8.2	8.8
Shares redeemed (note 9)	1.1	.3	.2
Purchase of minority interest	.1	.1	23.5
	62.7	39.2	76.8

Dividends

To shareholders	17.7	16.3	13.9
To minority shareholders in subsidiary companies	.9	.9	1.9
	18.6	17.2	15.8
Total uses of working capital	300.2	200.5	227.8

Increase (decrease) in working capital

Working capital, beginning of period	129.6	111.4	95.9
Working capital, end of period	\$125.8	\$129.6	\$111.4

Loblaw Companies Limited

Notes to Consolidated Financial Statements

52 Weeks Ended December 28, 1985

(Narrative and tabular amounts in millions of dollars except Capital Stock note)

1. Summary of Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. The effective interest of Loblaw Companies Limited in the equity share capital of principal subsidiaries is 100%, except for Kelly, Douglas & Company, Limited which is 85% owned.

(b) Inventories

Retail store inventories are stated at the lower of cost and net realizable value less normal profit margin. All other inventories are stated at the lower of cost and net realizable value.

(c) Properties held for development or sale

Properties expected to be sold within one year are stated at the lower of cost and net realizable value and are included in current assets. Other properties held for development or sale are stated at cost.

(d) Translation of foreign currencies

Foreign currency balances are translated at a rate approximating the current rate of each year end. The net difference on translation of the Company's equity in United States subsidiaries and that portion of debt payable in United States funds which is considered a hedge against these investments, is included in a separate category of shareholders' equity on the balance sheet, to be recognized in earnings in proportion to any reduction of the net investment.

(e) Fixed assets

Fixed assets are stated at cost, including interest associated with construction capitalized during the year. Depreciation is recorded principally on a straight line basis to amortize the cost of these assets over their estimated useful lives.

Estimated useful lives range from twenty to forty years for buildings and three to eleven years for equipment and fixtures. Leasehold improvements are depreciated over the lesser of the applicable useful life and term of the lease.

(f) Leases

Rents on all leases entered into before December 31, 1978 are expensed as incurred.

2. Income Taxes

The Company's effective income tax rate is made up as follows:	1985	1984	1983
Combined basic Canadian federal and provincial income tax rate	51.4%	51.1%	51.3%
Inventory allowance which partially offsets increases in taxes due to inflation	(4.2)	(3.6)	(3.8)
Lower tax rate on capital gains	(3.5)	(2.1)	(.8)
Impact of operating in foreign countries with lower effective tax rates	(3.0)	(4.0)	(2.8)
Other (including adjustment of prior years' estimates)	(2.2)	(.7)	1.1
	38.5%	40.7%	45.0%

3. Extraordinary Items

Extraordinary items in prior years consist of income tax reductions realized on application of prior years' losses, (1984 - \$6.5, 1983 - \$3.9) and closing costs of subsidiary and divisions, net of income tax recoveries (1984 - \$(3.4), 1983 - \$(3.2)).

4. Investments (at cost)	1985	1984	1983
Secured loans and advances	\$ 22.3	\$ 15.1	\$ 12.6
Long term receivables	15.9	17.3	23.8
Sundry investments	32.4	15.3	17.8
Properties held for development or sale	32.3	22.4	23.6
	\$102.9	\$ 70.1	\$ 77.8

Secured loans and advances include \$2.4 (1984 - \$2.8, 1983 - \$2.8) owing by officers and employees of the Company and its subsidiaries arising from the purchase of preferred shares of the Company as part of the Company's incentive plan. These advances are secured by the shares purchased.

5. Fixed Assets (at cost)	1985	1984	1983
Land	\$120.0	\$ 98.5	\$ 72.6
Buildings	258.0	192.9	152.8
Equipment and fixtures	467.7	406.0	368.1
Leasehold improvements	106.8	108.4	102.5
	952.5	805.8	696.0
Accumulated depreciation	355.8	311.8	278.4
	\$596.7	\$494.0	\$417.6

6. Leases

The Company and its subsidiaries have entered into leases for retail outlets, warehousing facilities, equipment and store fixtures.

(a) Leased assets

Property under capital leases entered into after December 30, 1978 is as follows:

	1985	1984	1983
Buildings	\$ 64.5	\$ 58.5	\$56.7
Equipment and fixtures	42.7	43.3	42.3
	107.2	101.8	99.0
Accumulated depreciation	48.4	40.7	31.7
	\$ 58.8	\$ 61.1	\$67.3

(b) Lease obligations

Minimum lease commitments together with the present value of the obligations under capital leases entered into after December 30, 1978 are as follows:

	Capital Leases Entered into after December 30, 1978	Other Leases		
		Gross Liability	Expected Sub-Lease Income	Expected Net Liability
For the year				
1986	\$ 19.0	\$ 65.6	\$ 23.6	\$ 42.0
1987	16.9	59.9	20.9	39.0
1988	12.5	55.5	18.1	37.4
1989	10.2	52.1	14.9	37.2
1990	9.8	46.4	12.8	33.6
Thereafter to 2023	95.1	306.6	67.7	238.9
Total minimum lease payments	163.5	\$586.1	\$ 158.0	\$428.1
Less amounts representing executory costs and interest at 13.3%	87.6			
Total obligations	75.9			
Less current portion	8.1			
Long term obligations	\$ 67.8			

(c) Retroactive application of capitalization of leases entered into before December 31, 1978 would have increased net earnings in 1985 by \$.3 (1984 - \$.8, 1983 - \$.4), and assets and obligations would have increased by \$59.6 (1984 - \$66.6, 1983 - \$84.2) and \$89.4 (1984 - \$96.3, 1983 - \$108.0) respectively.

7. Long Term Debt	1985	1984	1983
Debentures			
12 1/2%, maturing 1990	\$ 35.0	\$ 35.0	\$ 35.0
11 5/8%, maturing 1992	50.0		
12 1/4%, maturing 1994	35.0	35.0	
11%, maturing 1995	40.0		
Sinking fund debentures			
8 3/8%, maturing 1993	7.4	7.4	12.8
Term loans			
Bank's prime rate, revolving, maturing 1987	15.0	15.0	15.0
London Interbank Offered Rate plus 3/8 - 3/4%, maturing 1992 (U.S. \$13.0)	17.3	16.7	15.9
Repaid in 1985 and 1984		15.4	19.1
Mortgages at a weighted average interest rate of 10.0%, maturing 1986 - 2004 (including U.S. \$5.8)	28.5	22.2	18.5
Other long term debt at a weighted average interest rate of 8.4%, maturing 1986 - 2014 (including U.S. \$24.0)	37.6	27.6	21.4
	265.8	174.3	137.7
Less payable within one year	15.1	3.1	8.2
	\$250.7	\$171.2	\$129.5

Sinking fund requirements and debt maturities during the next five years are as follows:
1986 - \$15.1; 1987 - \$23.6; 1988 - \$5.7; 1989 - \$4.0; 1990 - \$38.5.

8. Other Liabilities	1985	1984	1983
Deferred employee compensation	\$12.8	\$14.7	\$15.1
Provision for future obligations on closed operations	8.9	8.2	3.4
Deferred real estate income	1.9	2.4	2.8
Provision for self insurance	3.9	3.8	5.0
Other	.8	1.8	3.0
	\$28.3	\$30.9	\$29.3

9. Capital Stock	Number of shares issued		1983	Paid-up-capital		1983
	1985	1984		1985	1984	
				(in millions of dollars)		
First preferred shares						
First series	439,652	439,652	439,652	\$ 22.0	\$ 22.0	\$ 22.0
Second series	352,169	361,144	371,244	11.6	12.0	12.3
	791,821	800,796	810,896			
Second preferred shares						
First series	300,000	300,000	300,000	30.0	30.0	30.0
Second series	250,000	250,000	250,000	25.0	25.0	25.0
	550,000	550,000	550,000			
Junior preferred shares						
First series	11,600	16,400	16,400	1.2	1.6	1.6
Second series	13,000	13,000	13,000	1.3	1.3	1.3
Third series	22,500	22,500	22,500	2.2	2.2	2.2
Fourth series	10,450	13,750	13,750	1.1	1.4	1.4
	57,550	65,650	65,650			
Total preferred shares				94.4	95.5	95.8
Common shares	35,652,946	35,501,858	35,466,573	104.1	103.2	103.1
Total capital stock				\$198.5	\$198.7	\$198.9

Share Description:

First preferred shares (authorized - 1,000,000)

First series - \$2.40 cumulative dividend redeemable at \$50.

Second series - \$3.70 cumulative dividend redeemable at \$70. In each fiscal year the Company is obligated to apply \$400,000 to the purchase of these shares for cancellation, provided that such shares are available at a price not exceeding \$67. During 1985, the Company purchased 8,975 of these shares for cancellation at a cost of \$400,000. The premium of \$91,000 on these purchases has been deducted from contributed surplus.

Second preferred shares

First series - cumulative dividend with floating rate equal to one-half of bank prime rate plus 3/4 to 7/8 of 1%, redeemable at \$100, retractable at the option of George Weston Limited on December 1, 1990.

Second series - cumulative dividend with floating rate equal to one-half of bank prime rate plus 1 1/4%, redeemable at \$100, retractable at the option of George Weston Limited on December 1, 1991.

Junior preferred shares

First series - \$9.00 cumulative dividend, redeemable after June 6, 1990 at \$100, convertible into the number of common shares obtained by dividing the number of preferred shares converted by .0475.

Second series - \$12.00 cumulative dividend, redeemable after October 7, 1991 at \$100, convertible into the number of common shares obtained by dividing the number of preferred shares converted by .06.

Third series - cumulative dividend with floating rate equal to 2/3 of average bank prime rate plus 3/4%, redeemable after August 6, 1992 at \$100, convertible into the number of common shares obtained by dividing the number of preferred shares converted by .075.

Fourth series - cumulative dividend with floating rate equal to 2/3 of average bank prime rate plus 3/4%, redeemable after May 16, 1993 at \$100, convertible into the number of common shares obtained by dividing the number of preferred shares converted by .1275.

In 1985 the Company issued 111,400 common shares for a consideration of \$612,000 on conversion of 4,800 junior preferred shares, first series and 1,320 junior preferred shares, fourth series. The Company purchased 1,980 junior preferred shares, fourth series for cancellation.

In 1985 the Company issued 39,688 common shares for cash of \$214,000 on exercise of employee stock options. The following options, which have been granted at the market price on the day preceding the grant, are outstanding at December 28, 1985:

Number of employees	Number of common shares	Exercise price per share	Option expiry date
8	75,600	\$ 4.75	June 6, 1990
2	187,000	\$ 6.00	Oct. 7, 1991
5	47,066	\$12.75	May 16, 1993
38	155,000	\$18.375	Jan. 17, 1995
	<u>464,666</u>		

The exercise of the conversion privileges and stock options would not materially dilute earnings per share.

10. Business Expansion

(a) Acquisition of subsidiary companies

Effective August 31, 1985 the Company purchased all the outstanding common shares of Betsy Ross Foods, Inc., and Santisi Produce Company, both U.S. wholesale operations.

These transactions have been accounted for using the purchase method with the results of operations included in these financial statements since the date of acquisition. Details of the acquisitions are as follows:

Net assets acquired	
Working capital	\$ 11.7
Fixed assets	13.2
Other net assets	3.7
Long term debt	(11.1)
Consideration paid (cash and debt)	<u>\$17.5</u>

(b) New line of business

In 1985 a new division was organized in Ontario to develop and operate combined food and general merchandise retail stores in that market. Costs of \$4.8 associated with the development and organization of this division have been capitalized in other assets and will be amortized over four years.

11. Pensions

The present value of the unfunded past service pension liability, based on current actuarial valuations, is estimated to be \$55.2 at December 28, 1985 and is being amortized over varying periods not exceeding fifteen years. In addition, a subsidiary is a participant in union-sponsored multiemployer pension plans. The share of these plans' unfunded vested liabilities allocable to the subsidiary, for which it may be contingently liable, is not determinable by the plans' administrators.

12. Other Information

(a) Segmented information

The Company's only significant activity is food distribution. Geographically segmented information is as follows:

	Canada			United States		
	1985	1984	1983	1985	1984	1983
Operating income	\$ 116.5	\$103.8	\$ 97.1	\$ 35.0	\$ 33.9	\$ 31.3
Total assets	\$1,035.9	\$877.3	\$790.2	\$493.8	\$387.0	\$360.9

(b) Contingent liabilities

Endorsements and guarantees in the normal course of business amount to \$49.6. Gross rentals under leases assigned at the time of sale of United States divisions amount to \$106.6.

In addition to various claims arising in the normal course of business, there are certain class action lawsuits, involving substantial amounts, filed by former employees of a United States division sold in 1982. Although the outcome of these actions cannot be predicted with certainty, management believes that their outcome will not have a material effect on the Company's financial position.

(c) Related parties

The Company's majority shareholder, George Weston Limited and its subsidiaries are related parties. It is the Company's policy to conduct all significant transactions with related parties on normal trade terms.

CORPORATE STRUCTURE, DIRECTORS AND SENIOR MANAGEMENT

LOBLAW COMPANIES LIMITED

DIRECTORS

W. Galen Weston
Chairman and President
George Weston Limited

Richard J. Currie
President, Loblaw Companies Limited

Charles M. Humphrys*
Management Consultant

Robert H. Kidd*
Senior Vice President and
Chief Financial Officer
George Weston Limited

Roger A. Lindsay
Executive Vice President
Wittington Investments, Limited

Arthur H. Mingay*
Former Chairman
Canada Trust

David A. Nichol
Executive Vice President
Loblaw Companies Limited

George B. Robertson, Q.C.*
Partner, McInnes Cooper & Robertson
Barristers and Solicitors

* member - Audit Committee

HONORARY CHAIRMAN

George C. Metcalf

HONORARY DIRECTOR

Richard G. Meech, Q.C.

CORPORATE OFFICERS

W. Galen Weston
Chairman of the Board

Richard J. Currie
President

Raymond J. Addington
Executive Vice President

David A. Nichol
Executive Vice President

David M. Williams
Executive Vice President

Brian Y. Davidson
Senior Vice President,
Business Development

Harold A. Seitz
Senior Vice President,
Real Estate Development

David K. Bragg
Vice President, Controller

Sheldon Douglass
Vice President,
Financial Services

Wayne E. East
Vice President,
Information Services

James H. Farrell
Vice President, General Counsel
and Secretary

John N. McCullough
Vice President, Assistant General
Counsel

John W. Thompson
Vice President, Finance

Richard P. Mavrinac
Tax Officer

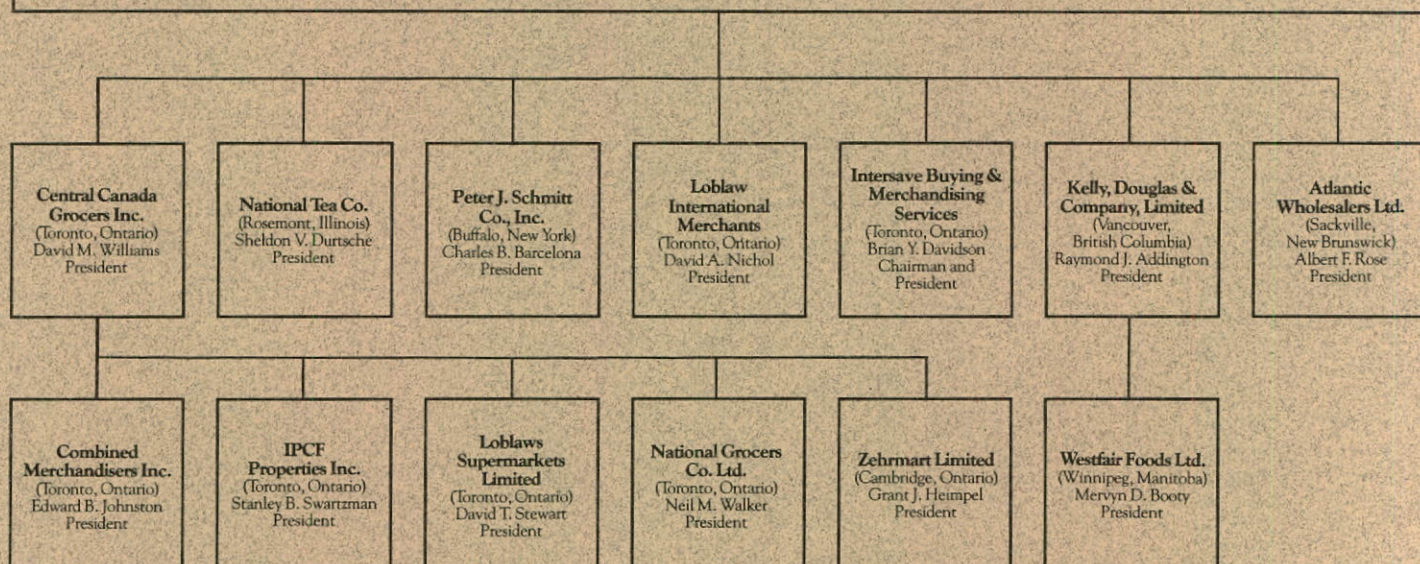
Donald G. Reid
Treasurer

Michael R. Lambert
Assistant Controller

Stewart E. Green
Assistant Secretary

Dorothy M. Leamen
Assistant Secretary

The average age and years of service
of the Officers and operating
Presidents are 47 and 14 years
respectively.



ANNUAL GENERAL MEETING

April 29, 1986, 11:00 a.m. Constitution Hall, Hall A
Metropolitan Toronto Convention Centre
255 Front Street West, Toronto, Ontario

CORPORATE DIRECTORY**TRANSFER AGENT AND
REGISTRAR**

National Trust Company
Toronto, Montreal, Vancouver,
Winnipeg, Calgary, Regina, Halifax

STOCK LISTINGS

Toronto, Montreal and
Vancouver Stock Exchanges

EXECUTIVE OFFICES

22 St. Clair Avenue East
Toronto, Ontario
M4T 2S8

GENERAL COUNSEL

Borden & Elliot

AUDITORS

Thorne Riddell
Toronto, Ontario

COMMON DIVIDEND PAYMENT DATES

Apr. 1
July 1
Oct. 1
Dec. 30

VALUATION DAY VALUE OF COMMON SHARES

\$5.75

